SASKATCHEWAN

Office of the Provincial Auditor

102-05823/

Annual Report on Operations
For the Year Ended
March 31, 2002

Provincial Auditor Saskatchewan

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Vision

We envision effective, open and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly.
We are committed to fostering excellence in public sector management and accountability.

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June 12, 2002

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour to submit my *Annual Report on Operations For the Year Ended March 31, 2002* to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*. The information contained in this report reflects known events up to May 15, 2002.

Respectfully submitted,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

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Introduction

The Provincial Auditor's Office helps the Legislative Assembly hold the Government accountable for its management of public resources. The Government delivers its programs and services through approximately 270 different agencies. Examining these agencies gives our Office a unique opportunity to help improve public administration.

Our Office is also accountable to the Assembly for its performance. This Report on our Office's performance is an integral part of our accountability relationship with the Legislative Assembly.

The success of our Office depends on many people. In each of the last seven years, legislators have supported our Office's resource requests outlined in our *Business and Financial Plans.* Adequate resources help to ensure our work is relevant, reliable, and cost effective. Also, the hard work, dedication, and skills of our employees make it possible to provide our assurance and advice to the Legislative Assembly and the Government. In addition, we rely on the co-operation and assistance of government officials and their appointed auditors. And finally, the careful review of our reports by legislators and the public is essential to our success.

Our 2001 Spring Report and 2001 Fall Report - Volume 2 contain our assurance and advice to the Legislative Assembly. We think these reports help to improve public sector governance and management. Improving governance and management helps to improve decision-making and ultimately, program performance.

Our 2001 Fall Report - Volume 1 focuses on understanding the finances of the Government using several key financial and economic indicators. These indicators provide insights into the sustainability of government programs, the flexibility of the Government to increase its revenues or debt, and the vulnerability of Government's revenues to influences outside of its control. The

report also provides information to allow comparisons of the Saskatchewan Government's finances to those of other provinces.

In summary, we continue to work in a dynamic environment. As we describe in this report, 2002 was another year of challenge, accomplishment, and change for the Office.

Assessing Our Effectiveness

Members of the Legislative Assembly have asked, "How do we assess your Office's effectiveness?" The following should assist Members in doing such an assessment:

- To be effective, we need to do work that the Standing Committee on Public Accounts considers useful in carrying out its role. Members can talk with the Committee to determine whether the Committee considers our work useful in helping it discharge its role.

- Our annual business and financial plans are public documents. Members can use the information presented in these documents to help assess whether the work we plan to do is useful to them in carrying out their roles.

- Members can use the information contained in this report to help them assess our effectiveness. In this report, we describe our performance in achieving our goals and objectives and compare what we told the Assembly we planned to do in our *Business and Financial Plan for the Year Ended March 31, 2002* with what we actually did. Our performance measures include the quality and efficiency of our inputs, the quality of our outputs, and the intermediate outcomes of what we do. Exhibit 1 on page 5 explains what we mean by the terms inputs, outputs, and intermediate outcomes.

- Members can ask our Office questions about what we plan to do and what we have actually done. Such questions can be asked at any time, including in the public meetings of the Standing Committee on Public Accounts and the Standing Committee on Estimates.

Each year, we give the Assembly our annual reports on operations and our annual business and financial plans. The Assembly refers these reports to the Standing Committee on Public Accounts. This allows the Committee to assess our performance and the relevance of our planned work to the Committee's role of holding the Government to account for its management of public resources. The Committee's mandate states the Committee will "work with the Provincial Auditor to achieve maximum accountability [of the Government] to the Legislature."

Who We Serve

Our role

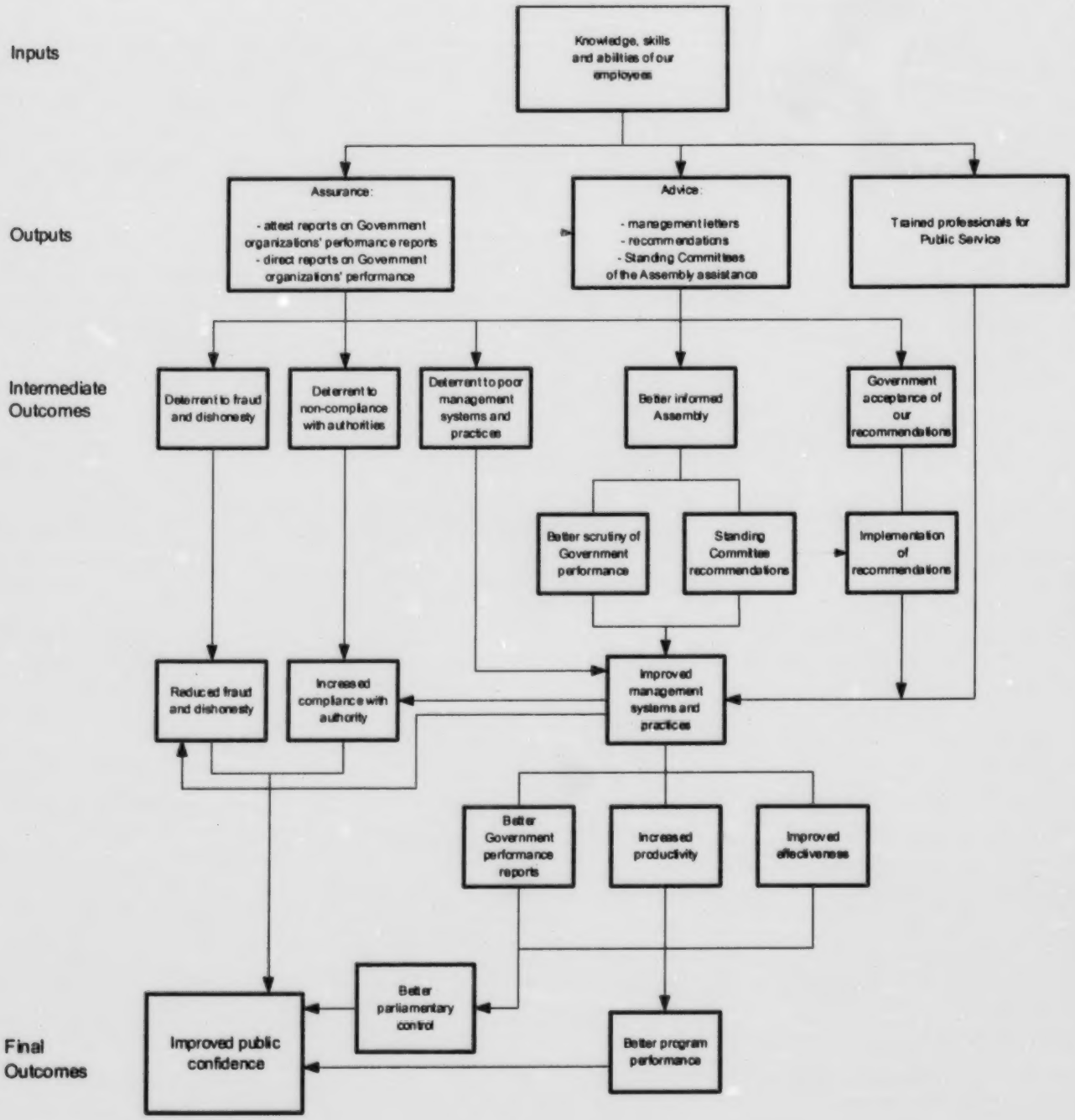
The Office of the Provincial Auditor helps the Legislative Assembly hold the Government accountable for how it manages public money. Our Office examines the Government's management of public resources and reports our findings to the Assembly.

Legal status

The Provincial Auditor Act creates an officer of the Legislative Assembly called the Provincial Auditor. The Act gives the Provincial Auditor the responsibility, authority, and independence to audit and publicly report on all government agencies.

What We Do and the Impact of Our Work

Exhibit 1



What We Do

Our Vision

We envision effective, open, and accountable government.

Our mission

We serve the people of Saskatchewan through the Legislative Assembly. We are committed to fostering excellence in public sector management and accountability.

Our mission shapes what we do and how we respond to key economic, political, social, and technological forces affecting those we serve.

How we carry out our mission

To fulfil our mission, we examine and provide independent assurance on the Government's management of and accountability practices for the public resources entrusted to it. We:

- Advise the Legislative Assembly about:
  - the reliability of the Government's financial information;
  - the Government's compliance with legislative authorities; and
  - the adequacy of the Government's management of public resources.
- Encourage discussion and debate about public sector management and accountability issues.
- Assist the Standing Committees on Public Accounts and Crown Corporations.
- Develop professionals for public service.
- Support and adhere to the accounting and assurance standards recommended by The Canadian Institute of Chartered Accountants.

Our reports

We report our assurance and advice to the Legislative Assembly and the Government.

At the end of each examination, we prepare a draft report of our conclusions, findings, and recommendations. We discuss the draft with senior officials of the agency and revise the draft when necessary. We issue a final report to the Minister responsible, to senior officials of the agency and, if applicable, to the chair of the board of directors. Also, we normally send a copy to the Chair and Secretary of Treasury Board, and to the Provincial Comptroller.

Also, we provide the Assembly with our conclusions (assurances) on the reliability of the financial statements and other performance reports issued by government agencies.

In addition, we report directly to the Assembly each year. These reports contain the matters that we think are significant to the Assembly and the public. We decide what matters to report in the context of the following questions:

- Does the matter affect the Assembly's ability to control the financial activities of the Government?
- Does the matter affect the Assembly's ability to hold the Government accountable for how it administers public money?
- Does the matter involve improving how the Government administers public money?
- Does the matter involve non-compliance with legislative authorities?

We assess these questions of what to report in the context of specific government sectors, programs, and agencies and in the context of the Government-as-a-whole.

When an agency's financial statements, compliance with authorities, and practices to safeguard assets are satisfactory, we also report that information to the Government and the Legislative Assembly.

Outcome of our work and reports

Exhibit 1 on page 5 shows the outcomes of our work.

For our parliamentary system of government to work properly, the system must have the public's confidence. To merit this confidence, governments must be open and accountable.

Our work and reports directly affect the public's confidence in our system of government. They provide the public with confidence that the Government's financial and other reports are reliable, the Government uses adequate systems and practices to safeguard and control public resources, and the Government has complied with governing authorities.

One responsibility of the Legislative Assembly is to hold the Government accountable for the management of public resources. Our work and reports help the Assembly to carry out this responsibility.

Our reports call for appropriate public accountability for government operations and for sound management systems and practices in government agencies. Our work and reports contribute to informed decision making in government and business-like systems and practices. In turn, this helps the Government carry out its responsibility to use sound management systems and practices.

Our competencies

Our knowledge, skills, and abilities affect what we do for the public, the Legislative Assembly, and the Government. We apply the following special competencies to our work and reports:

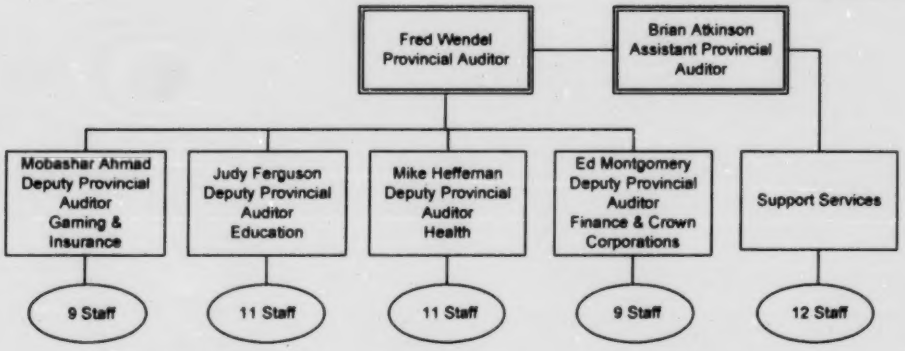
- objectivity, because of our full independence from the Executive Government;
- thorough knowledge of the:
  - complex structure and systems the Government uses to manage public resources;
  - structure of legislative authorities governing the activities of government agencies related to financial reporting,

  - safeguarding assets, revenue raising, spending, borrowing, and investing;
  - audit of information systems; and
  - accounting and assurance standards recommended by The Canadian Institute of Chartered Accountants;

- working knowledge of the issues facing government agencies operating in many and diverse types of businesses including education, health, insurance, protection of people and property, pension and benefit plans, energy, telecommunications, gambling, transportation, construction, and financial services; and
- a business view derived from rigorous professional training that we blend with our practical knowledge of public administration.

Our Organization

Exhibit 2



On April 19, 2000, Wayne Strelioff resigned as Provincial Auditor. Fred Wendel was appointed Acting Provincial Auditor.

Amendments to *The Provincial Auditor Act,* assented to on June 28, 2001, required the Standing Committee on Public Accounts to develop a process for the selection of the Provincial Auditor. The Act required the Public Accounts Committee to make a unanimous recommendation for the appointment of the Provincial Auditor to the Legislative Assembly. On this unanimous recommendation, the Legislative Assembly, by resolution, appoints the Provincial Auditor. This new selection and appointment process enhances the independence of the Provincial Auditor.

On May 15, 2002, the Legislative Assembly appointed Fred Wendel as the Provincial Auditor for Saskatchewan. Mr. Wendel's appointment was the first using the new selection and appointment process.

As shown in Exhibit 2, our Office is organized into five divisions. Each division has a distinct focus. Our Gaming and Insurance Division's responsibilities include examining the Government's gaming, insurance, and pension programs. The Government's insurance and pension programs are large. The Government's pension liabilities alone total nearly $7 billion. Pension and insurance programs require our staff to acquire special knowledge of the accounting practices for property and casualty insurance and pension plans. Also, we must understand the methods used by actuaries to determine liabilities for insurance claims and pensions.

Our Education Division's responsibilities include examining the Government's education, post-secondary education and skills training, and infrastructure programs. The kindergarten to grade 12 education system and the post-secondary education system (e.g., universities, SIAST, and regional colleges) spend over $1.9 billion annually.

Our Health Division's responsibilities include examining the Government's health, justice, and social services programs. The audit of health includes auditing 32 health districts. Total public spending on health for the year ended March 31, 2001 was $2.28 billion. In addition, the Division coordinates our work to encourage the Government's efforts in moving to a public accountability system focussed on results.

Our Finance and Crown Corporations Division's responsibilities include examining the Government's programs carried out through the Department of Finance and the Crown Investments Corporation of Saskatchewan. Those programs are complex and affect almost all aspects of the Government.

Our Support Services Division's responsibilities include administration, human resources, research, methodology, training, secretarial, clerical, and information technology. Also, the Division is responsible for our government-wide information technology audits.

At March 31, 2002, our Office employed 58 people. Twenty-nine of our employees are professional accountants. Seventeen are training to become professional accountants.

We have the services of a health professional, a lawyer, and a librarian. The skills, experience, and perspectives of these professionals are particularly valuable as we continue to examine broader and more in-depth issues.

Our employees are our most valuable resource because "what we do" depends on their knowledge and skills. Creating and maintaining an environment that encourages and rewards ongoing learning is crucial to our success.

What We Plan to Do

Our goals and objectives

Exhibit 3 sets out our goals, objectives, and strategies for the years ending March 31, 2001 to 2003. The Exhibit also sets out the performance indicators we use to measure our success in achieving our goals and objectives and our performance targets for those indicators.

Exhibit 3

Goals, Objectives, Strategies and our Indicators of Success for Years Ending March 31, 2001 to 2003

Goal 1: Foster Well-Managed Government

Objectives		Strategies	
a)	The Government uses a sound public accountability framework.	i)	Assess the Government's public accountability framework.
		ii)	Encourage the Government to use a sound public accountability framework.
b)	The Government uses adequate processes to plan and to achieve planned results.	i)	Evaluate the Government's processes to plan including its risk identification.
		ii)	Evaluate the Government's processes to achieve planned results including its risk management.
c)	Our stakeholders receive our assurance and advice on the Government's public accountability framework, and the processes it uses to plan and to achieve planned results.	i)	Provide timely assurance and advice to our stakeholders.

Indicators of Success:

- The Government acts on 80% of our recommendations that are more than one year old that do not involve major changes.
- The Government acts on 80% of our recommendations that are more than five years old that involve major changes.
- The Public Accounts Committee accepts 90% of our recommendations that it considers.

Goal 2: Encourage Good Reporting by Government

Objectives		Strategies	
a)	The Government publicly reports its plans based on a sound public accountability framework.	i)	Encourage the Government to publicly report its plans.
		ii)	Examine whether the Government's public planning reports include all essential elements.
b)	The Government publicly reports the extent to which it has achieved its planned results.	i)	Encourage the Government to publicly report the extent to which it has achieved its planned results.
		ii)	Examine whether the Government's public performance reports include all essential elements.
		iii)	Encourage the Government to prepare financial statements for its departments.
		iv)	Examine whether the Government's financial statements are reliable.
		v)	Examine the reliability of key operational performance information included in the Government's performance reports.
c)	Our stakeholders receive our assurance on the Government's key public planning and performance reports.	i)	Provide timely assurance and advice to our stakeholders.

Indicators of Success:

- By 2002, 50% of significant government agencies make public their plans.
- In 2002, the Government-as-a-whole publicly reports its plans for the 2002-03 fiscal year.
- By 2002, 50% of all Departments include departmental financial statements in their annual performance reports.
- By 2003, 50% of significant government agencies' performance reports we examine set out information on their key risks and how they manage those risks.

Goal 3: Manage Our Business Effectively

Objectives		Strategies	
a)	Our stakeholders know and value what we do.	i)	Seek and monitor the views of our stakeholders on our plans and performance.
		ii)	Identify and monitor the risks faced by our stakeholders.
		iii)	Adjust our work, priorities and resource allocation to respond to our understanding of the risks faced by our stakeholders.
		iv)	Obtain the resources and competencies necessary to respond to the risks faced by our stakeholders.
		v)	Communicate in a clear, accessible and timely manner.
		vi)	Maintain our independence.
b)	We are leaders in key areas of our profession.	i)	Define the unique characteristics of the profession of legislative auditing.
		ii)	Set out the areas of our profession for which we maintain leadership expertise.
		iii)	Set out the subject matters for which we maintain in-depth knowledge.
		iv)	Maintain access to the necessary competencies.
		v)	Encourage government officials, other public-sector officials, and professional colleagues to seek our advice and training programs and to seek experience with our Office.
c)	We continuously improve our work.	i)	Incorporate the CICA's Criteria of Control into our methodology.
		ii)	Maintain current and effective methodology.
		iii)	Ensure we have qualified professional staff with access to the right competencies.
		iv)	Strengthen the way our working environment embraces our values.

Objectives	Strategies
	v) Strengthen and simplify our management information system. vi) Strengthen and simplify our administrative practices. v) Strengthen how we plan, assess and report our performance.

Indicators of Success:

- Our work is relevant (see Indicators of Success for Goal 1).
- Our work is completed by established deadlines and within the planned costs set out in our Business and Financial Plan.
- Our staff resources are used as set out in our Business and Financial Plan.
- Our stakeholder surveys indicate a positive trend in satisfaction with our work.
- Our corporate culture surveys indicate a positive trend in our working environment.
- The Institute of Chartered Accountants of Saskatchewan reports our work meets professional standards.
- Our Professional Accounting Program pass rates exceed the provincial average each year.
- The Assembly receives our Business and Financial Plan and our Annual Report on Operations each year.
- The Assembly receives a Fall and Spring Report each year.
- Our auditor reports publicly and positively on our performance (e.g., our financial statements, our compliance with *The Provincial Auditor Act* and the adequacy of our system of internal control).

Our values

Our values also affect what our Office can accomplish. We believe in:

Accountability - actively taking responsibility for and explaining our actions

Credibility - earning and keeping the respect and confidence of our stakeholders

Equity - being fair to others

Professionalism - being objective, independent and courteous, and acting with integrity

Effectiveness - achieving planned goals and objectives

Leadership - setting a good example and accomplishing positive results

Innovation - seeking better ways to achieve results

Teamwork - working together to achieve results

Balance - respecting work, home, and community responsibilities

Factors affecting our work plan

Annually, we prepare a detailed work plan and provide that plan to the Assembly. The work plan reflects our goals, values, and several other key factors.

Our work plans ensure we fulfill our legislative responsibilities under *The Provincial Auditor Act*. The Act sets out the agencies we must examine.

We prepare our work plan in August or September each year for the next fiscal year. When we prepare the plan, it reflects known information about:

- the amount of government revenue and spending;

- the number of government agencies;
- the quality of the government's records, systems, and practices;
- the Government's use of appointed auditors;
- professional standards;
- the co-operation we expect to receive from government officials and appointed auditors when we do our work; and
- the public's expectations.

Forces and trends affecting our work plan

Forces and trends also affect our work plans. Four major forces affect our stakeholders (i.e., legislators, the public, and government officials) and thus, shape our work.

Globalization - creating an internationally competitive, integrated, and interdependent world.

Advancing technology - making possible new ways of communicating and doing things, often at less cost and in a more timely manner.

Changing demographics - a growing Aboriginal population and an aging population.

Pressure on the environment - leading to increased awareness and concern about sustainable development.

These forces and trends have increased the public's expectations. For example, current technology gives the public more accessible information and knowledge about services and taxes in other jurisdictions. Changes in demographics will result in increased demands for services (e.g., health care). The Government's ability to manage scarce public resources and meet the public's increased expectations, impacts public attitude.

In Saskatchewan, these forces and trends are straining public resources and are causing legislators, government officials, and the public to re-examine the role of the Government, how it organizes and delivers programs and services, and how it ensures adequate participation in decision making.

Our focus

We plan to focus our efforts on helping legislators, government officials, and the public assess the challenges emerging from these forces and trends. In particular, we will encourage the Government to:

- report on how it manages the risks related to globalization, advancing technology, changing demographics, and pressure on the environment;
- report on how it manages the risks related to the public's valuable infrastructure;
- strengthen its management of and accountability for intergovernmental programs;
- implement a sound government-wide accountability framework that embraces performance and risk management;
- improve the quality of information provided to legislators on the plans and performance of the Government-as-a-whole and on each of its agencies including Crown corporations; and
- support a strong professional development program with a focus on performance and risk management.

Risk Management

Our key risks

Sound risk management is essential to ensure we help the Legislative Assembly hold the Government accountable for its management of public resources. To manage risk, we must identify, assess, and reduce to an acceptable level the possible adverse consequences that the Office may experience from events or circumstances.

We routinely identify and assess our risks. We have established controls to reduce the likelihood that our risks will have adverse consequences on our ability to carry out our responsibilities under *The Provincial Auditor Act*. However, we accept some risk because it is not cost effective to eliminate all risks. The following are our key risks:

Our stakeholders do not support our goals and objectives. For the Office to remain viable, our stakeholders should support our goals and objectives. Pursuing our goals and objectives must result in relevant assurance and advice for legislators, the public, and government officials. As discussed more fully in the risks that follow, we have established controls to ensure that we set goals and objectives that will result in relevant assurance and advice for our stakeholders.

We do not adequately understand or respond to the challenges and risks faced by our stakeholders. We must understand the challenges and risks faced by the Government to ensure that our assurance and advice is reliable. The way that the Government manages its risks impacts on the type and extent of work we must do to report with confidence to the Assembly.

We must also understand the challenges and risks faced by legislators and the public to ensure our assurance and advice is relevant. To be relevant, our assurance and advice should result in better parliamentary control and better program performance.

In Exhibit 3, on pages 13 to 16, we set out our goals, objectives, and strategies to ensure that we understand the challenges and risks faced by the Government, legislators, and the public.

The Standing Committee on Public Accounts is unable to fulfill its responsibilities. The Public Accounts Committee is the audit committee for the Legislative Assembly. The Committee is a key agent of change for improving the Government's management of public resources. The Committee's mandate is to help the Assembly hold the Government accountable for its spending of taxpayers' money and for its stewardship over public assets. The Committee reviews, examines, and evaluates the financial and administrative activities of government departments and Crown agencies. The Committee works with the Provincial Auditor to carry out its mandate effectively.

Our Office must provide independent, relevant, and reliable information that is consistent with the Committee's objectives. To do this, our Office works closely with the Committee. Also, the Office provides the Assembly with an annual business and financial plan and an annual report on operations. The Assembly refers these reports to the Committee. In addition, Members ask our Office questions about what we do and why.

We lose or are perceived to lose our independence. *The Provincial Auditor Act* makes our Office responsible to examine all public money managed by the Government (e.g., departments, boards, corporations) and the Legislative Assembly (e.g., Board of Internal Economy).

The Act makes our Office independent of appointed and elected officials so that we can administer the Act without fear of reprisal.

The Act decides which agencies the Office must examine. The Office decides what work needs to be done and how the work is carried out for the proper administration of the Act.

We carefully guard our independence and report to the Assembly when we are concerned about our independence.

We provide inappropriate or incorrect assurance and advice. Stakeholders must trust and value our assurance and advice. Gaining and keeping their confidence in our work and reports is essential to the viability of the Office. In Exhibit 3, on pages 13 to 16, we set out our goals, objectives, and strategies to ensure that our assurance and advice is reliable.

Also, in the next section (why systems and practices are important), we describe our quality control systems and practices to ensure that our assurance and advice is reliable. We think those systems and practices reduce our risk to an acceptable level. However, we recognize systems and practices sometimes fail because of factors such as procedural failures and human error.

We do not have the required competencies and resources. The quality of our assurance and advice is dependent on the knowledge, skills, and abilities of our employees. We have training programs to ensure that our employees have the special competencies we discuss on pages 8 and 9.

To discharge our statutory responsibilities, we need sufficient resources to retain the required competent work force and to equip, support, and house them. We need the support of legislators to obtain the required resources. To gain this support, we have established controls to ensure that our assurance and advice is relevant to legislators and reliable. Also, we make public a comprehensive business and financial plan annually to

build legislators' support for our request for resources. When we do not have sufficient resources to pay for the cost of our work force, we reduce the number of our employees. When this happens, we do not do all the work the law requires us to do, and we advise our stakeholders.

We do not manage our resources effectively. Our management practices must ensure that we use our resources effectively. We have established systems and practices to keep this risk at a minimum. These systems and practices include such things as setting direction, setting performance targets, having effective communication processes, monitoring our values, training staff, segregating duties, maintaining procedural manuals, delegating authority, processing transactions, reporting, and monitoring results.

Why systems and practices are important

We need appropriate controls to manage the risks that might prevent our Office from achieving its goals including sound financial management. We use systems, practices, and other control elements to reduce these risks to an acceptable level. The following briefly describes those systems and practices.

Systems and practices for achieving Goals 1 and 2

For the risks associated with Goal 1 (foster well-managed government) and Goal 2 (encourage good reporting by government) set out on pages 13 and 14, we need rules and procedures to:

- ensure the quality of our work;
- identify and report opportunities for improving government agencies' performance reports and their management systems and practices; and
- ensure that our work covers all government agencies.

The following rules and procedures ensure the quality of our assurance and advice.

- We use standard methods for carrying out our work. We continually refine those methods to reflect industry best practices.

The methods cover how we plan, execute, supervise, and report our work. We monitor all work to know that it meets our standard methods.

- We have hiring and training policies and procedures so that staff have the knowledge, skills, and abilities necessary to do their work. These policies also ensure that we broaden staff knowledge in areas including health, education, social services, and general management.
- We routinely make inquiries of our staff about complying with our objectivity standards.
- We have rules and procedures for working with other auditors who audit some government agencies.

The following rules and procedures ensure that we encourage the Government to improve its performance information and its management systems and practices.

- Our personnel policies and procedures ensure that our employees know our goals and objectives. Each employee's annual work plan shows how the employee will contribute to achieving our goals and objectives. These work plans are continually monitored.
- We have established standards that require us to report to government agencies in writing our conclusions, findings, and recommendations after each examination. Those standards also require us to meet with management to discuss our reports and gain support for our recommendations.

The following rules and procedures ensure that our work covers all government agencies.

- Government agencies are created or wound up by the Legislative Assembly, Cabinet, and existing government agencies. We monitor the actions of these parties and continually change our list of government agencies.
- We prepare an annual work plan for the Office that covers all government agencies. We estimate the costs of carrying out the plan and ask the Assembly for the money to carry out the work plan.

Systems and practices for achieving Goal 3

For Goal 3 (manage our business effectively) set out on pages 15 and 16, we need rules and procedures for carrying out our work effectively.

The following rules and procedures help us improve our performance.

- We make our annual business and financial plan public and monitor our performance.
- We have established systems and practices for the sound financial management of our assets.
- For Goals 1 and 2, we have established rules and procedures to ensure the quality of the assurance and advice that we provide to legislators and the public. These rules and procedures include systems to ensure best practices. We continually compare the way we do our work with private-sector auditors and other legislative auditors.
- We forecast the cost of each audit and monitor the actual cost of each audit. We compare planned costs to actual costs and act on variances. We also routinely compare our costs to audit government agencies with private sector auditors' costs to audit government agencies.
- We plan the use of our employees' time and monitor our employees' actual use of time. We compare planned results to actual results and act on variances.
- To ensure the continued relevance of our work, we monitor legislators' and the Government's acceptance of our recommendations. We also monitor legislators', Legislative Committees' and the media's use of our reports.
- We continuously seek advice from stakeholders when we work with appointed auditors.
- We seek information to monitor government agencies' satisfaction with our work.
- We monitor our employees' views of our working environment.

What We Have Done

Background for measuring our performance

We have three basic outputs (services). See Exhibit 1, page 5. These are assurance (audit reports), advice (recommendations), and trained professionals for public service. Generally, our advice is a by-product of our assurance work. We deliver our services in several ways.

We provide assurance and advice to government officials. We provide assurance by way of reports on the reliability of financial statements, compliance with authorities, and the adequacy of management systems and practices. We provide advice and assurance by way of letters to management setting out our conclusions, findings, and recommendations for improvement.

We also provide assurance and advice to the Legislative Assembly and the public in our Spring and Fall reports to the Assembly. These two reports summarize our work at government agencies. The reports provide assurance and advice on the Government-as-a-whole, sectors of the Government, and on each government agency's financial statements, its compliance with authorities, and the adequacy of its management systems and practices.

As shown in Exhibit 1 (page 5), our assurance and advice result in two final outcomes. These outcomes are improved public confidence in government and improved performance in the delivery of government programs. We think the Government can gain improved public confidence by improving its performance reports (i.e., business and financial plans and annual reports). We also think the Government can improve the delivery of its programs by acting on our recommendations.

Our trained professionals leave our Office to work in the public service. They contribute to improved management systems and practices in those agencies. During the year ended March 31, 2002, one of the six employees who left the Office continues to work in a public service position.

Our major input cost to produce our products is salaries and benefits. Salaries and benefits account for nearly 75% of our spending. We carefully monitor the use of staff time.

Reporting publicly on our performance

Our performance targets are to provide the Assembly with our business and financial plans and our annual reports on operations.

During the year, we provided the Assembly with our *Annual Report on Operations for the year ended March 31, 2001* and our *Business and Financial Plan for the year ending March 31, 2003.*

Measuring our performance

We measure our success in achieving our goals and objectives by monitoring our performance targets for each of our performance indicators. Our 2002 *Business and Financial Plan* sets out our performance indicators and performance targets for our goals and objectives.

The following discussion and exhibits provide a report card on our performance. We set out our actual and target performance by goal for each of our performance indicators.

Goal 1: Foster well-managed government

We measure our success in fostering well-managed government based on the Government's and the Assembly's acceptance of our recommendations.

Government's acceptance of our recommendations

We group our recommendations to the Legislative Assembly for improving the Government's performance reports and the Government's delivery of its programs into two types. Type 1 recommendations are easier to carry out. We expect that the Government will act on 80% of Type 1 recommendations that are more than one year old. Type 2 recommendations are more difficult to carry out. We expect that the Government will act on 80% of Type 2 recommendations that are more than five years old.

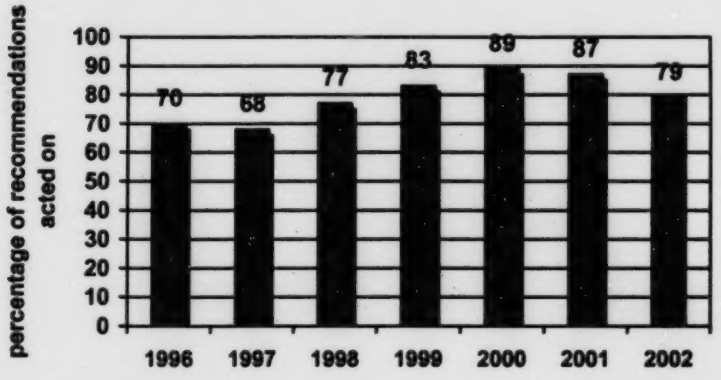
We track our Type 1 recommendations over a five-year period. From April 1997 to March 2002, we made 275 Type 1 recommendations. Of those recommendations, 47 are less than one year old.

For 2002, Exhibit 4 shows that the Government acted on 79% of the Type 1 recommendations that are more than one year old. In 2002, we did not achieve our target that the Government acts on 80% of our Type 1 recommendations that are more than one year old.

Of the 48 Type 1 recommendations that are more than one year old and not yet acted on, one-third of the recommendations relate to two agencies, Saskatchewan Indian Gaming Authority and Uranium City Hospital. The Government did not act on these recommendations as quickly as we expected.

Exhibit 4

Percentage of Total Type 1 Recommendations More Than One Year Old Acted on by the Government

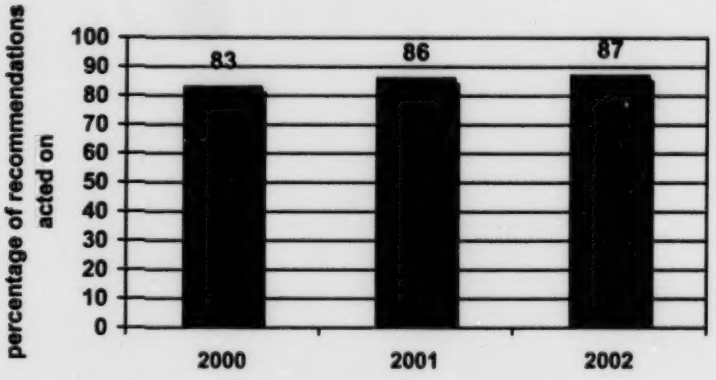


We track our Type 2 recommendations over a ten-year period. From April 1994 to March 2002, we made 236 Type 2 recommendations. Of those recommendations, 133 are less than five years old.

For 2002, Exhibit 5 shows that the Government acted on 87% of the Type 2 recommendations that are more than five years old. Our target for Type 2 recommendations is that the Government acts on 80% of these recommendations that are more than five years old. We began tracking these recommendations in April 1994. This is the third year that we have data to compare to our target. We have achieved our target that the Government acts on 80% of our Type 2 recommendations that are more than five years old.

Exhibit 5

Percentage of Total Type 2 Recommendations More Than Five Years Old Acted on by the Government



Assembly's acceptance of our recommendations

The Legislative Assembly refers our reports to the Standing Committee on Public Accounts. On June 28, 2001, the Assembly amended *The Provincial Auditor Act* and refers our reports dealing with matters related to the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries to the Standing Committee on Crown Corporations. The work of these Committees is necessary for our Office to help improve accountability and the delivery of government programs. We expect that the Committees, and thus the Assembly, will agree with 90% of our recommendations.

During the fiscal year, the Crown Corporations Committee did not report to the Assembly on our recommendations related to CIC and its subsidiary corporations. Thus, the following discussion is restricted to the Public Accounts Committee.

We track our recommendations to the Assembly for improving the Government's performance reports and the Government's delivery of its programs over a five-year period. During the five-year period ending March 31, 2002, we made 437 recommendations and the Committee reported to the Assembly on 206 of these recommendations.

The Committee has not reported to the Assembly on all our recommendations for several reasons. The first reason is no Committee

existed for most of the year ended March 31, 1996. As a result, the Committee had much work to do before it could consider our more recent reports. The lack of a Committee also affected the timeliness of the Committee's review of our 1997 reports. The Committee decided not to consider 17 of the recommendations in our 1997 report because we advised the Committee that the Government had already satisfactorily acted upon those recommendations. The Committee met frequently during the year ended March 31, 1999 and completed its review of all our reports up to and including our 1998 Fall Report – Volume 2.

In addition, the Committee decided not to review a further 16 of our recommendations. The Committee recommended that the Legislative Assembly refer these recommendations to the Standing Committee on Crown Corporations for review.

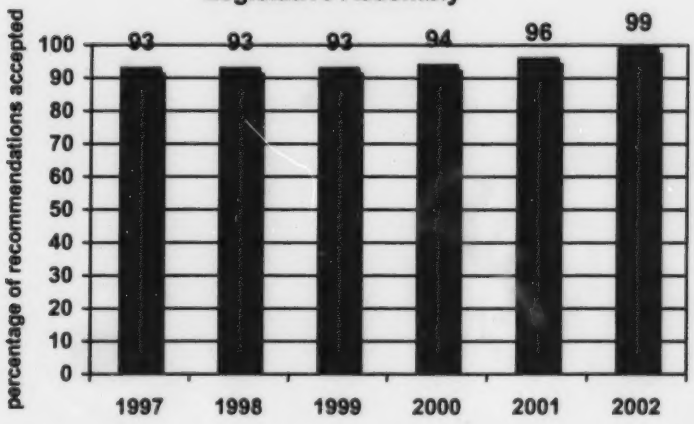
At the date of this report, the Committee has almost completed its review of the 135 recommendations included in our 1999 and 2000 Spring and Fall Reports. As well, the Committee has begun its review of the 63 recommendations in our 2001 Spring and Fall Reports. The Committee has not prepared its report to the Assembly setting out its recommendations resulting from the review of these reports. We will include these recommendations in our results when the Committee reports to the Assembly.

We measure our success based on the Committee's acceptance of our recommendations that it considers and reports on to the Assembly. Our performance target is to have the Committee accept 90% of our recommendations.

For 2002, Exhibit 6 shows that the Committee accepted, or partially accepted, 99% of our recommendations that it has reported on to the Assembly. The exhibit shows that we have achieved our target in each of the past six years.

Exhibit 6

Percentage of our Recommendations Considered by PAC that were Accepted or Partially Accepted by PAC in its Reports to the Legislative Assembly



Goal 2: Encourage good reporting by Government

We measure our performance based on the quality and extent of the Government's public reporting of its planned and actual results.

Planning

Because planning is the first step in a sound public accountability system, our focus for 2001-03 includes an emphasis on sound public plans. We expected that 50% of significant government agencies would make public their plans by 2002. We also expected the Government-as-a-whole to report publicly its plans for the 2002-03 fiscal year.

We will report on our performance for significant government agencies making their plans public in our next annual report. Agencies have not yet published their 2002 annual reports. Also, the Crown Investments Corporation of Saskatchewan (CIC) expects that it and its subsidiary corporations will make public their plans in their 2002 annual reports. (We report on the Government's progress in next section – Reporting.)

The Government-as-a-whole did not report publicly its plans for the 2002-03 fiscal year. The Government continued its practice of providing the Legislative Assembly with a plan for the financial activities carried out through the General Revenue Fund. Significant Government activity takes place outside of that Fund.

We have made the following progress in setting out criteria for sound public plans and encouraging the Government to improve and publish its plans.

Our 2000 and 2001 reports to the Assembly set out a framework, key elements, and processes for effective planning. The reports set out the key elements of a sound public accountability system and discussed the risks that the Assembly faces in achieving its objective of holding the Government accountable for its performance. In the reports, we discussed the challenges that the Government faces in establishing a sound public accountability system. The reports also set out the key elements for sound public plans for the Government-as-a-whole, for key sectors of government, and for individual agencies. In addition, the reports set out the key processes for effective planning and a proposed model for an overall Government financial plan.

Reporting

The second step in a sound public accountability system is the reliable reporting of performance. We expected that 50% of government departments would include financial statements in their annual performance reports by 2002.

None of the departments included financial statements in their 2001 annual reports. Because the departments have not published their 2002 annual reports, we will report further on this indicator in our next annual report.

We have made the following progress in encouraging the Government to prepare financial statements for its departments. Our 2000 and 2001 reports to the Assembly included examples of financial statements for the agriculture sector and the health system. The reports discussed the challenges and benefits of preparing department financial statements. The reports also set out the principles for useful performance reporting.

The Government has also made progress in improving its planning and reporting in two key sectors. In 1999, the Government established a "comprehensive government accountability project" (Accountability Project) for government departments. The Accountability Project expects departments to focus on results (outcomes) of their spending and activities. We continue to work with the Government's Accountability Project Group that is helping departments use the Accountability Framework for planning and managing their affairs. We continue to encourage the Government to establish a policy requiring the public reporting of planned and actual results.

CIC approved a policy in 2000 requiring public reporting of key elements used to evaluate financial performance, as well as the achievement of objectives in the areas of innovation and growth, customer satisfaction, and public policy (Balanced Scorecard). The policy required CIC and the corporations that it supervises to make public their performance measures, their performance expectations for those measures, and the results achieved. The policy required minimum disclosure of the key elements for 2000 annual reports and additional disclosure for 2002 annual reports. The 2001 annual reports of seven corporations exceeded the disclosure requirements.

Goal 3: Manage our business effectively

We measure our success in managing our business effectively based on the relevance, quality, cost, and timely completion of our work. We also assess our working environment and our communications with our stakeholders.

The following discussion and exhibits report our actual performance compared with our planned performance.

Relevance of our work

Our indicator of the relevance of our work is the Standing Committee on Public Accounts' acceptance of our recommendations. We report on pages 28 to 30 that the Committee accepted 99% of our recommendations in their reports to the Legislative Assembly.

Based on the Committee's acceptance of our recommendations, we think our work is relevant.

Quality of our work

We have three indicators for measuring our success in producing quality products for the Assembly. We think that our work needs to comply with professional standards, the Standing Committee on Public Accounts needs to be satisfied with our advice, and government agencies need to be satisfied with our work.

The Institute of Chartered Accountants of Saskatchewan periodically inspects our Office to ensure that we comply with professional standards. We expect that the Institute will report that our work complies with professional standards. On pages 56 and 57, we include the Institute's inspection report. The report indicates that our work complies with professional standards.

To measure the Committee's satisfaction with our advice, we measure the Committee's acceptance of our recommendations. As previously discussed, we expect that the Committee will agree with 90% of our recommendations for improving the Government's performance reports and its management systems and practices. We report on pages 28 to 30 that the Committee accepted 99% of our recommendations in its reports

to the Assembly. Based on this indicator, we think that the Committee is satisfied with our advice.

We want government agencies to be satisfied with our work. Our performance target is for survey results to show an increasing level of satisfaction with our work.

This year is the fourth year that we surveyed government agencies about their satisfaction with our work. The work was related to our examinations of agencies during our fiscal years ended March 31, 1999 to March 31, 2002.

We sent surveys to 203 agencies and we received 95 completed surveys. We asked the agencies to tell us their level of satisfaction with our work as it relates to the following four areas:

- our planned work for the agency met its needs and that we carried out our work according to the plan (responsiveness);
- our employees were knowledgeable and carried out their work professionally and courteously (professionalism);
- our reports to the agency's Minister were understandable, fair, and accurate (reports); and
- our recommendations to the agency were feasible and result in proper management of public resources and accountability (recommendations).

We asked the agencies to express their level of satisfaction. The results of the survey are summarized in Exhibit 7:

Exhibit 7

Criteria	1999	2000	2001	2002
Responsiveness	satisfied	satisfied	very satisfied	very satisfied
Professionalism	very satisfied	very satisfied	very satisfied	very satisfied
Reports	very satisfied	very satisfied	very satisfied	very satisfied
Recommendations	satisfied	satisfied	satisfied	satisfied

The results indicate that agencies are satisfied with our performance. While we are pleased with the results for the 47% of agencies that returned the survey, we are concerned that we do not know the level of satisfaction for the other 53% of the agencies surveyed. We will continue

to encourage agencies to return future surveys so we can use the results to help improve our performance.

Completion of our work

For completing our work, we measure our success in two ways. First, we need to produce a Spring and Fall report for the Assembly. Second, we need to complete the work that is set out in our business and financial plan and we need to complete that work by the established deadlines.

For the most part, we completed the work set out in our 2002 *Business and Financial Plan*. We completed our 2001 Spring and Fall reports to the Legislative Assembly. We also reported our audit conclusions, findings, and recommendations to each government agency where we completed our work.

We could not complete some of the work set out in our 2002 *Business and Financial Plan*. We could not complete some of the work because of delays in receiving information from some government agencies. On page 71, we list the government agencies where we did not complete our audit for agencies' with fiscal years ended in the period July 1, 2000 to December 31, 2001 when we issued our 2002 Spring Report.

For the past six years, we devoted more of our resources to improving the timeliness of our audit of the Government's summary financial statements. The Government's summary financial statements are key documents that legislators and the public use to review the Government's financial performance. Exhibit 8 summarizes the dates that we finished the audit of the Government's summary financial statements.

Exhibit 8

Year Ended	Completed audit
March 31, 1996	August 9, 1996
March 31, 1997	July 4, 1997
March 31, 1998	July 3, 1998
March 31, 1999	July 5, 1999
March 31, 2000	June 5, 2000
March 31, 2001	June 5, 2001

We expect to complete our audit of the Government's March 31, 2002 summary financial statements by June 4, 2002.

In addition, amendments to *The Tabling of Documents Act, 1991* require government organizations to give their financial statements to the Assembly earlier. As a result, we have been compressing our financial statement work into a shorter time frame.

Also, for the past six years, we devoted more resources to improving the timeliness of the information we provide to the Assembly in our Spring and Fall reports. Our Spring reports now include our work on agencies with December year-ends and our Fall reports include our work on agencies with March year-ends.

We continue to be concerned about the timeliness of our reports to government agencies. When our work is late, government agencies have difficulty meeting their established deadlines. Also, they do not have the benefit of our advice to make timely improvements to their management systems and practices.

During the year ended March 31, 2002, we tracked the timeliness of our reports to government agencies. The planned dates are based on the dates that we agreed to provide our reports to government agencies. The reports include our assurance on the financial statements of government agencies and our advice on improving the agencies' management systems and practices.

The information that we collected indicates that we provided 73% of our reports to government agencies by the agreed upon dates (2001 – 65%). As mentioned above, our survey of government agencies indicates that agencies are very satisfied with our work as it relates to responsiveness. Although we have improved the timeliness of our reporting, we continue to focus on improving our performance in this area.

Costs of our work

Our performance indicator for the costs of our work is the planned costs set out in our 2002 *Business and Financial Plan*. Our performance target is to complete the work within the planned costs.

Pages 45 to 49 show our actual costs for examining government agencies for years ending in the period July 1, 2000 to June 30, 2001 compared with our planned costs. We had the actual cost information audited. On page 44, our auditor reported that the information is reliable.

For the most part, we completed our work within our planned costs. We explain significant differences between planned and actual costs on pages 54 and 55.

Our efficiency in the use of our resources

We have two performance indicators regarding our efficiency in using our resources. We want to show that we are finding better ways to do our work. These indicators are our request for resources from the Assembly and how we manage our largest cost – salaries.

Each year, we prepare a detailed work plan to carry out our responsibilities under *The Provincial Auditor Act* and a forecast of the cost of that plan (see pages 45 to 46). For the purpose of Exhibit 9, our request for resources is the forecast cost of our plan.

Our performance target for 1996, 1997, and 1998 was to reduce our request for resources to carry out our work by 2% each year starting with 1996. Our performance target for 1999 and 2000 was to keep our request for resources at the same amount each year and thus to absorb inflationary increases. Our performance target for 2001, 2002, and 2003 was to absorb inflationary increases except for general salary and benefit increases that the Government gives to public servants. These targets do not take into account our need for more or less money caused by increased or reduced work for our Office when the Government creates or winds up government agencies.

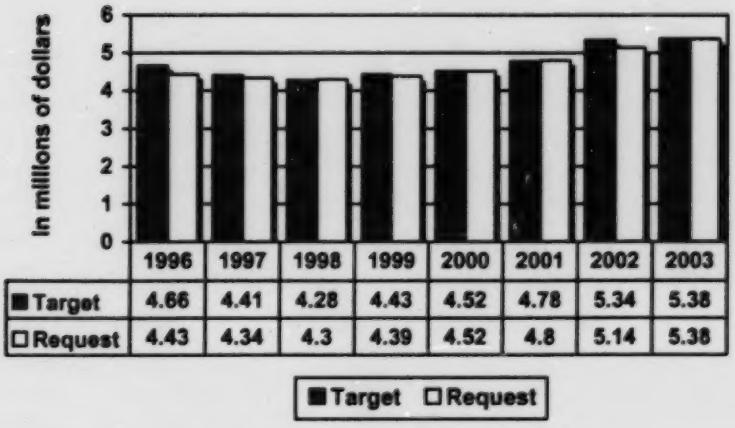
Each year, the Government adds new government agencies that add to our workload and winds up government agencies that reduce our workload. These changes to our workload affect our costs. Also, sometimes we cannot finance the extra resources needed to examine a particular agency because of specific problems facing that agency. For example, because of our work at the Saskatchewan Liquor and Gaming Authority related to the expenses of the Saskatchewan Indian Gaming Authority, we asked for an extra $66,000 for our *2002 Business and*

Financial Plan. Our business and financial plans provide lists of the new and wound up government agencies and their impact on our costs.

Exhibit 9 shows our targets and actual requests for resources for the last eight years. The exhibit shows our actual requests were lower than or equal to our target each year except for 1998 and 2001. In 1998 and 2001, our request was about $20,000 more than our target. In 2001, our request for resources included some market adjustments for salaries.

Exhibit 9

Target and Actual Request for Resources to carry out our work



	1996	1997	1998	1999	2000	2001	2002	2003
Target	4.66	4.41	4.28	4.43	4.52	4.78	5.34	5.38
Request	4.43	4.34	4.3	4.39	4.52	4.8	5.14	5.38

Our performance target for how we manage our largest cost (salaries) is to use our employees' time according to our planned times set out in our 2002 *Business and Financial Plan*.

Page 51 shows the actual use of our employee's time compared with our planned use. The actual information for 2000, 2001, and 2002 is audited. Our auditor reported on page 50 that the information is reliable.

On page 55, we explain significant differences between planned and actual time.

Developing trained professionals

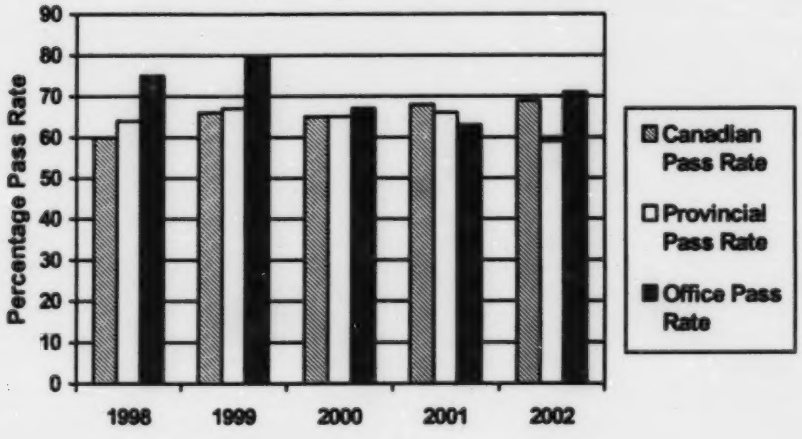
We are a training office for people who want to become professional accountants. One of our measures of success is the number of

employees who pass the uniform final examinations to become Chartered Accountants. Our performance target is to compare favourably with the provincial pass rate.

Exhibit 10 shows the percentage of our employees who passed the uniform final examinations for each of the last five years compared to the provincial and Canadian pass rate for each of the last five years.

Exhibit 10

Comparison of the Provincial Auditor's Office Pass Rate to the Provincial and Canadian Pass Rate



The exhibit shows our pass rate compares favourably with the provincial pass rate for four of the last five years.

Also, we train staff who want to become Certified Management Accountants (CMA) or Certified General Accountants (CGA).

Employees' satisfaction with their working environment

We want to ensure our employees are satisfied with their working environment. We gather information on employee satisfaction by using annual surveys. The current survey provides employees an opportunity to express their level of satisfaction with 13 key indicators of the Office's working environment.

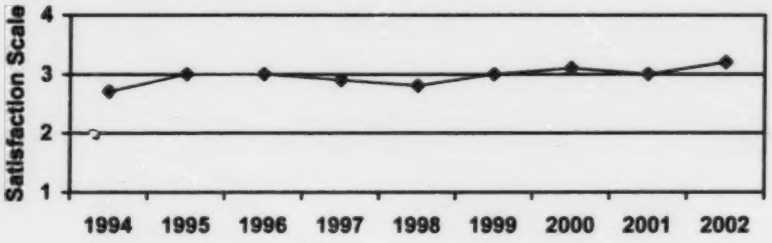
We have done employee surveys for nine years. For 2002, almost all employees responded to the survey. The survey results continue to

indicate a positive level of satisfaction with the Office's working environment. Our current survey uses a rating scale of one through four where four is the most positive response. This year, the survey results had an average response of four for 2 of the indicators and an average response of three for 11 of the indicators.

Exhibit 11 shows the trend for the average response for all indicators. Our performance target is to have a positive trend with employees' satisfaction with their working environment. The exhibit shows employee satisfaction has remained fairly constant over the past four years, with an increase in satisfaction indicated for 2002.

Exhibit 11

Cumulative Average Response for all Indicators of Employee Satisfaction



Our performance in explaining to stakeholders why our work is relevant and done well

Our stakeholders need to know our work is relevant and done well. In this regard, we have several performance indicators. We need to explain to the Assembly what we plan to do and what we did.

We provide the Assembly with our business and financial plans. In the fall of 2001, we provided the Assembly with our 2003 *Business and Financial Plan*.

We explain to the Assembly what we did in three reports. This Report on operations describes our performance. Our Spring and Fall reports contain the results of our examinations of government agencies.

Also, the Assembly requires an audit of our Office. The auditor has the same audit responsibilities as our Office. We use the auditor's reports on our Office as a key performance indicator. Our performance target is that our auditor reports positively on the reliability of our financial statements, our compliance with *The Provincial Auditor Act*, and on the adequacy of our management systems and practices.

In this report, we provide the Assembly with our auditor's reports. On pages 58, 59, and 62 our auditor reports that our financial statements are reliable, we complied with the Act, and we had adequate management systems and practices. On page 60, our auditor reports that in addition to the other reports they have issued, there are no significant matters to report to the Assembly.

Financial Highlights

Management discussion and analysis of our financial affairs

Pages 63 to 70 contain our audited financial statements.

The financial statements show our 2002 revenue was approximately $383,000 more than 2001 for a total of $5,192,000. The increase relates to the resources the Assembly provides to our Office. In our 2002 *Business and Financial Plan*, we asked the Assembly for $402,000 more for the year ended March 31, 2002 than 2001 to carry out our work. We needed more resources to examine new agencies created by the Government, to respond to salary pressures, to advance our reporting deadlines, to do more work related to the Saskatchewan Liquor and Gaming Authority and to host the Canadian Council of Legislative Auditors' national conference. Our other revenue decreased by $55,000 primarily because we did not have any employees on secondment in 2002.

Total operating expenses for 2002 were approximately $107,000 more than 2001 for a total of $4,898,000. The increase primarily relates to expenses for agent and advisory services.

Expenses for agent and advisory services increased by $280,000 compared to 2001. In 2002, we contracted staff to assist in meeting the new deadlines resulting from changes to *The Tabling of Documents Act, 1991.* The extra contract staff was also required as several of our staff were on maternity and other leaves of absence during 2002. These leaves, combined with staff turnover, resulted in a decrease of $166,000 in our salary and employee benefits compared to 2001.

Training and development decreased by $15,000 compared to 2001 because we deferred some of our senior management training program in 2002 as a result of changing priorities for advancing deadlines as mentioned above.

In the past, the Office maintained net financial assets equal to approximately one month's salary and benefit expenses. This practice allowed the Office to manage unforeseen circumstances effectively.

The Provincial Auditor Amendment Act, 2001, assented to on June 28, 2001, requires any net financial assets to be transferred to the General Revenue Fund. The amended Act provides for a contingency appropriation to replace the Office's net financial assets. In addition, the Act requires that any unspent appropriations be transferred to the General Revenue Fund. The $562,414 transfer includes fees, other revenues, and the Office's net financial assets.

The cost of our work is directly influenced by the types and amount of revenue and expense of the Government, the number of government agencies, the quality of the Government's records, the cooperation that we receive, and by changing professional standards. Based on the information we know about these factors at March 31, 2002, our request for resources from the Assembly for next year is $5.379 million and $0.348 million for a contingency appropriation.

The Standing Committee on Public Accounts recommends all Government agencies reporting to Treasury Board should provide a list of persons who have received money. While we do not report to Treasury Board, pages 72 and 73 show a list of persons who provided goods and services to the Office. The information in the list is similar to the information reported for government agencies included in Volume II of the Public Accounts.

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

We have audited the Schedule of Actual Costs to Audit Government Agencies for the period as described in note 1, which is prepared in accordance with accounting principles as set out in the notes to the schedule of financial information. This schedule of financial information is the responsibility of the Office of the Provincial Auditor. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the actual costs to audit government agencies for the period as described in note 1 in accordance with the accounting principles set out in the notes to the schedule of financial information.

May 15, 2002
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Office of the Provincial Auditor
Schedule of Actual Costs to Audit Government Agencies

Government Agency	2002 Planned Costs (Note 5)	2002 Actual Costs		2003 Planned Costs (Note 5)
Department of Agriculture and Food	$291,325	$275,767		$292,714
Department of Culture, Youth and Recreation	—	1,971		14,775
Department of Economic and Co-operative Development	34,113	28,662		61,686
Department of Education	176,831	137,380		171,770
Department of Energy and Mines	78,175	63,097		78,760
Department of Environment and Resource Management	158,265	162,802		150,625
Department of Finance	555,497	505,072	(1)	618,710
Department of Health	587,211	570,132		624,508
Department of Highways and Transportation	97,083	61,664		125,124
Department of Intergovernmental and Aboriginal Affairs	16,134	20,855		16,348
Department of Justice	211,736	150,252	(2)	189,089
Department of Labour	55,347	60,508		51,549
Department of Municipal Affairs and Housing	229,122	195,400		223,463
Department of Post-Secondary Education and Skills Training	607,000	551,607	(3)	576,051
Department of Social Services	160,202	171,749		174,107
Executive Council	16,541	19,070		18,007
Legislative Assembly	46,804	40,967		47,358
Public Service Commission	7,858	7,027		7,976
Rural Revitalization Office	—	—		7,840
Women's Secretariat	3,497	4,126		3,550
Crown Investments Corporation of Saskatchewan	59,559	56,099		70,696
Municipal Financing Corporation of Saskatchewan	2,215	2,771		2,240
Saskatchewan Development Fund Corporation	6,264	4,087		6,338
Saskatchewan Gaming Corporation	75,504	99,132		70,887
Saskatchewan Government Growth Fund Management Corporation	19,110	34,253		19,298
Saskatchewan Government Insurance	48,501	44,211		98,320
Information Services Corporation of Saskatchewan	5,041	7,743		6,656
Saskatchewan Liquor and Gaming Authority	237,516	299,690	(4)	315,885
Saskatchewan Municipal Board	3,270	2,855		3,320
Saskatchewan Opportunities Corporation	14,535	7,328		12,080
Saskatchewan Power Corporation	36,391	35,396		95,440
Saskatchewan Property Management Corporation	11,879	14,154		12,412
Saskatchewan Research Council	69,540	73,319		70,571
Saskatchewan Safety Council	15,800	18,381		14,025
Saskatchewan Telecommunications Holding Corporation	50,237	56,969		56,216
Saskatchewan Transportation Company	11,425	8,097		11,711

(see accompanying notes)

Office of the Provincial Auditor
Schedule of Actual Costs to Audit Government Agencies
(continued)

Government Agency	2002 Planned Costs (Note 5)	2002 Actual Costs		2003 Planned Costs (Note 5)
Saskatchewan Water Corporation	$17,122	$22,484		17,684
SaskEnergy Incorporated	20,530	29,006		22,704
Workers' Compensation Board	69,825	56,627		53,085
Government-Wide, Sectoral, and Special Issue Work	531,726	445,716	(5)	519,951
Legislative Committees and Public Reports	441,269	382,409	(6)	445,471
Total before secondments	5,080,000	4,728,835		5,379,000
Secondments	56,000	---	(7)	---
TOTAL	$5,136,000	$4,728,835	(8)	$5,379,000

(see accompanying notes)

In Part I of our management discussion and analysis, on pages 54 and 55, we discuss footnotes (1) to (8).

Office of the Provincial Auditor
Notes to the Schedule of Actual Costs to Audit Government Agencies

1. Purpose

This schedule shows the Office's actual costs, up to March 31, 2002, of auditing the various agencies of the Government for their years ending in the period July 1, 2000 to June 30, 2001 compared to the planned costs for that period. The schedule also shows the planned costs for auditing the various agencies of the Government for their years ending in the period January 1, 2002 to December 31, 2002.

2. Definitions

The following definitions are provided to help understand our cost allocation policies.

Total Costs - This is the total operating expenditure reported in our audited financial statements (see page 69).

Audit hour - This is the time employees spend on the audits set out in the detailed work plans in our Business and Financial Plans.

Cost-per-hour - This is the hourly rate for an audit hour for each employee as set by the Office. (See Note 3.)

Direct costs - These are costs other than salaries that are directly related to specific audits (e.g. employees' travel costs).

Actual costs - These costs are determined by multiplying employees' audit hours times employees' costs-per-hour and adding to that result direct costs.

Average cost-per-audit hour - This is the total costs for the year less direct costs divided by the total audit hours for all employees for the year.

Secondments - The Office provides employees to others (e.g. Government agencies) to work under their direction. The Office calls these arrangements secondments.

3. Cost Allocation Policies

The Office allocates its total costs each year to the audits carried out during the year. Direct costs are charged directly to the relevant audit. For all other costs, the Office uses reported audit hours set out in employee time sheets as the basis of allocation.

The cost-per-hour is based on the employee's pay and benefits and a portion of other costs (rent, office administration and support services) allocated based on the office's expected time on audit activities. The cost-per-hour is adjusted periodically to reflect changing employee and office-wide circumstances.

The reported actual costs for each audit in the Schedule is determined by multiplying employees' audit hours for the relevant audit times the employees' costs-per-hour and adding to that result direct costs for that audit. For secondments, the cost-per-hour is based on the actual salary and benefits for those employees.

4. Additional Information

The Office's actual average cost-per-hour for 2002 is $77.41 (2001 - $77.94).

The Office's total actual direct costs for 2002 are $383,304 (2001 - $145,606). The $237,698 increase relates to our decision to contract staff to help meet deadlines and replace staff on leave.

The footnotes in the Schedule reference to the Management Discussion and Analysis on pages 54 and 55. That information is unaudited.

Government agencies have various fiscal year ends (e.g., March 31, June 30, December 31). Due to the nature of auditing, some audit activity occurs before the government agencies' fiscal year ends; while other audit activity occurs after their year ends. As a result, employees' audit activities during our fiscal year relate to more than one fiscal year of a government agency.

Table 1 shows the actual costs of the audit activity we carried out during 2002 by the relevant fiscal year-ends of government agencies. Table 2 shows the years we incurred the costs to audit government agencies for years ending in the period July 1, 2000 to June 30, 2001.

Table 1
Total Costs for 2002
Allocated to Relevant Fiscal Year-ends of Government Agencies

Relevant Fiscal Year-ends	Costs Allocated
January 1, 2002 to December 31, 2002	$1,115,445
July 1, 2001 to December 31, 2001	683,685
July 1, 2000 to June 30, 2001	2,942,371
July 1, 1999 to June 30, 2000	183,965
Total Costs	$4,925,466

Table 2
Actual Costs to Audit Government Agencies
for Their Years Ending in the Period July 1, 2000 to June 30, 2001
by the Year We Incurred the Costs

Year We Incurred Costs	Actual Costs
April 1, 2001 to March 31, 2002	$2,942,371
April 1, 2000 to March 31, 2001	1,785,872
April 1, 1999 to March 31, 2000	592
Total Actual Costs Incurred	$4,728,835

5. Planned Costs

The planned costs set out in the Schedule are those presented to the Board of Internal Economy in the Office's 2002 Business and Financial Plan and those presented to the Standing Committee on Public Accounts in the Office's 2003 Business and Financial Plan.

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

We have audited the Schedule of Actual Time Employees Spend on Tasks for the year ended March 31, 2002, which is prepared in accordance with the principles set out in the notes to the schedule of statistical information. This schedule of statistical information is the responsibility of the Office of the Provincial Auditor. Our responsibility is to express an opinion on this information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the statistical information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statistical information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statistical information.

In our opinion, this schedule presents fairly, in all material respects, the actual time employees spend on tasks for the year ended March 31, 2002, in accordance with the accounting principles set out in the notes to the schedule of statistical information.

May 15, 2002
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

Office of the Provincial Auditor
Schedule of Actual Time Employees Spend on Tasks
for the Period April 1, 1999 to March 31, 2002

	Actual			Planned (Note 4)	
Employee time	**2000**	**2001**	**2002**	**2002**	**2003**
Working hours	84%	84%	85%	85%	85%
Vacation leave and statutory holidays	14	13	13	13	13
Sick leave	2	3 [1]	2	2	2
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	62%	63%	65% [2]	64%	66% [3]
Support services	14	14	14	13	11 [3]
Office administration	16	15	14	14	15
Training	8	8	7 [2]	9	8
Total working hours	100%	100%	100%	100%	100%
Number of full time equivalent positions before secondments	58	58	55	58	59
Secondments	1	0	0	1	0
Total full time equivalent positions	59	58	55	59	59

(see accompanying notes)

In Part II of our management discussion and analysis, on page 55, we discuss footnotes (1) to (3).

Office of the Provincial Auditor
Notes to the Schedule of Actual Time Employees Spend on Tasks
for the Year Ended March 31, 2002

1. Purpose

This schedule shows employee tasks and the percentage of time that employees spent on these tasks. The schedule shows actual percentages for the years ended March 31, 2000 to March 31, 2002. The schedule also shows planned percentages for these tasks for the years ended March 31, 2002 and 2003.

2. Definitions

Working hours – This is the time available after deducting vacation leave, statutory holidays, and sick leave.

Vacation leave and statutory holidays – Employees receive paid vacation leave. Leave is based on years of service. Employees also receive 11 paid statutory holidays.

Sick leave – Employees receive paid sick leave. The amount of paid leave is based on years of service.

Total paid hours – This is the total of working hours, vacation leave and statutory holidays, and sick leave. Employees must account for a minimum of 1950 total paid hours per year to receive full pay.

Secondments – Secondments refers to arrangements when the Office's staff work for others (e.g. Government agencies) under their direction.

Audit hours – This is the time employees spend on the audits set out in the Detailed Work Plan on page 45. This time includes secondments. Audit hours does not include the time spent on support services, office administration, and training.

Support services – This is the time employees spend on accounting, computer maintenance and support, and other administrative support.

Office administration – This is time employees spend on human resource activities, internal committees and working groups, office-wide and group planning activities, and time that does not fall within any other working hours task category.

Training – This is time employees spend on staff development courses and seminars. The time includes both employee attendance time and instructor time when our employees instruct our internal courses.

Full-time equivalent positions – This represents the total paid months divided by twelve months.

3. Time Allocation Policies

Employees are required to record on time sheets actual time spent on each task to the nearest quarter hour. The employees' supervisors approve the employees' time sheets. The Office records the time shown on the time sheets. The Office uses the information derived from the time sheets to pay employees and to monitor employees' performance. The Office also uses this information to determine the actual costs to audit government agencies.

4. Planned Time

The percentages of planned time for 2002 set out in the Schedule are those presented to the Board of Internal Economy in the Office's *2002 Business and Financial Plan*. The percentages of planned time for 2003 set out in the Schedule are those presented to the Standing Committee on Public Accounts in the Office's *2003 Business and Financial Plan*.

Management Discussion and Analysis

Part I Schedule of Actual Costs to Audit Government Agencies

Explanation of differences between actual costs and planned costs more than $40,000.

1. *Department of Finance* – To complete all of our work would cost a further $7,000. As a result, our 2002 actual costs are $43,000 less than planned. Enhancements to our 2001 Fall Report – Volume 1 increased costs by approximately $20,000. The enhancements included inter-provincial comparisons and a model for a summary provincial budget. Continued audit efficiencies and fewer significant audit issues reduced our costs to audit the Public Accounts by approximately $45,000. In addition, the actual costs for the remaining Department of Finance audits were approximately $18,000 less than planned.

2. *Department of Justice* – To complete all of our work would cost a further $41,000. As a result, our 2002 actual costs are approximately $20,000 less than planned. This reduction is due to audit efficiencies.

3. *Department of Post-Secondary Education and Skills Training* – To complete all of our work would cost a further $27,000. As a result, our 2002 actual costs are approximately $28,000 less than planned. The cost reductions are the result of the University of Saskatchewan's Income Disability Plan no longer requiring a separate audit reducing our costs by $11,000. In addition, the delay in the creation of the defined contribution academic pension plan reduced our costs by approximately $17,000.

4. *Saskatchewan Liquor and Gaming Authority* – Our actual costs are approximately $63,000 more than planned. Our costs increased in 2002 because we provided an update on the Saskatchewan Indian and Gaming Authority's progress toward complying with the recommendations made in our 2000 Fall Report – Volume 2. We reported the update in our 2001 Fall Report – Volume 2.

5. *Government-Wide, Sectoral, and Special Issue Work* – To complete all of our work would cost a further $77,000. As a result, our 2002 actual costs are approximately $9,000 less than planned.

6. *Legislative Committees and Annual Reports* – To complete all of our work would costs a further $1,000. Our 2002 actual costs are approximately $57,000 less than our planned costs. Fewer staff had to attend the Standing Committee on Crown Corporation meetings than originally planned resulting in cost savings of $9,000. We reduced our costs for preparing and publishing our public reports by approximately $48,000 in 2002.

7. *Secondment* – Our actual costs are $56,000 less than planned. In 2002, we did not have any employees on secondment.

8. We expect it would cost another $200,000 to complete all of our work.

Part II Schedule of Actual Time Employees Spend on Tasks

Explanations of statistical differences in the use of employee time.

1. In 2001, one employee had a lengthy illness.

2. Time spent on audits increased during 2002 in order to advance our work to meet the new *Tabling of Documents Act, 1991* deadlines. As a result, we did not carry out part of our annual management training program as originally planned for 2002.

3. In 2003, we have one support services staff member training to work in our auditing area thus increasing our audit hours.

Inspection Report

Chartered
Accountants
of Saskatchewan

The Institute of Chartered
Accountants of Saskatchewan
830 - 1801 Hamilton Street
Regina, Saskatchewan
S4P 4B4
Tel: (306) 359-1010
Fax: (306) 569-8288

PRIVATE & CONFIDENTIAL

Provincial Auditor
1500 1920 Broad Street
REGINA SK S4P 3V7

June 8, 1999

PRACTICE INSPECTION – FILE #2408

This is to advise that there were no reportable findings from the recently completed inspection of your office.

My report on the results of the inspection will be reviewed by the Practice Appraisal Committee at their next meeting. A final report will be sent to you after it has been considered by the Committee.

I thank you for the courtesy and consideration extended during the visit.

Sincerely,

Gary Erickson, CA
Director of Professional Standards

GE/ms

Enclosure

Chartered
Accountants
of Saskatchewan

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830 - 1801 Hamilton Street
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S4P 4B4
Tel: (306) 359-1010
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PRIVATE & CONFIDENTIAL

Provincial Auditor
1500 1920 Broad Street
REGINA SK S4P 3V7

June 17, 1999

PRACTICE INSPECTION FILE #2408

At their meeting of June 16, 1999, the Practice Appraisal Committee reviewed the file relating to the inspection of your firm which was completed earlier.

The Committee asked me to advise that it has no additional comments to add.

Once again, I thank you for the courtesy and co-operation extended during my visit.

G. S. Erickson, CA
Director of Professional Standards

GSE/mls

Enclosure

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have examined the system of internal control of the Office of the Provincial Auditor in effect as at March 31, 2002. We did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision-making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our examination was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The management of the Office of the Provincial Auditor is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that:

a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;

b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In our opinion, based upon the above criteria, the system of internal control of the Office of the Provincial Auditor in effect as at March 31, 2002, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in relation to the Office of the Provincial Auditor.

May 15, 2002
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have made an examination to determine whether the Office of the Provincial Auditor complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended March 31, 2002:

The Provincial Auditor Act

Our examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Office of the Provincial Auditor has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 2002.

May 15, 2002
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

Re: Audit of the Office of the Provincial Auditor for the year ended March 31, 2002

We have completed the above noted audit and have issued our reports on the financial statements, internal controls and legislative compliance dated May 15, 2002.

In accordance with *The Provincial Auditor Act*, our responsibilities to report to the members of the legislative assembly also appear to include:

> **To report matters that, in our judgement, are significant** (exceptions/deficiencies), if any, which may impact the annual financial statements and related controls.

This report is based only on matters assessed and relied upon for purposes of our audit opinions on the office's financial statements, internal controls and legislative compliance. This form of report is referred to as a derivative report, i.e. it is derived from the process, procedures, and findings related to the audit.

Based on the above noted reporting requirements, we provide the following observations:

Organization Level Control

No reportable matters identified.

System Level Control

No reportable matters identified.

Financial Statement Presentation and Disclosure

No reportable matters identified.

Other Matters

No reportable matters identified.

Detailed findings (exceptions/deficiencies) and observations with respect to internal controls, and/or financial statement presentation and disclosure are discussed with the Office's management during the course of and completion of our work.

May 15, 2002
Regina, Saskatchewan

Virtus Group LLP
Chartered Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements included in the Annual Report on Operations of the Provincial Auditor Saskatchewan for the year ended March 31, 2002, are the responsibility of management of the Office. Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the relevance and reliability of the financial data, management maintains a comprehensive system of internal controls including an appropriate code of conduct, written policies and procedures, and an organizational structure that segregates duties. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained. The Office's system of internal controls and compliance with legislation have been audited by the firm of Virtus Group, Chartered Accountants and Business Advisors LLP. Their reports to the Members of the Legislative Assembly, stating the scope of their examinations and opinions on the Office's system of internal controls and compliance with the legislation, appear on pages 58 and 59.

The financial statements have been audited by the firm of Virtus Group, Chartered Accountants and Business Advisors LLP. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the financial statements, appears on page 62.

Fred Wendel, CMA, CA
Provincial Auditor

Brian Atkinson, FCA
Assistant Provincial Auditor

May 15, 2002
Regina, Saskatchewan

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

We have audited the statement of financial position of the Office of the Provincial Auditor as at March 31, 2002, and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Office of the Provincial Auditor. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 2002, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Virtus Group LLP

May 15, 2002
Regina, Saskatchewan

Chartered Accountants

Statement 1

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF FINANCIAL POSITION
As at March 31

	2002	2001
Financial assets:		
Cash and cash equivalents (Note 3)	$ 696,093	$ 470,690
Accounts receivable (Note 4)	28,368	48,897
Prepaid assets	23,841	5,777
	748,302	525,364
Liabilities:		
Accounts payable	98,332	101,352
Accrued vacation pay	134,367	103,012
Unamortized lease inducement (Note 5)	---	25,529
Due to the General Revenue Fund	515,603	---
Total liabilities	748,302	229,893
Net financial assets (Note 6)	---	295,471
Non-financial assets (Note 7)		
Tangible capital assets (Note 8)	142,355	115,258
Net assets	$ 142,355	$ 410,729

(See accompanying notes)

Statement 2

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2002		2001
	Budget (Note 9)	Actual	Actual
Revenue:			
General Revenue Fund - Appropriation	$ 5,100,000	$ 5,136,000	$ 4,698,000
Other (Note 10)	127,600	56,409	111,089
Total revenue	5,227,600	5,192,409	4,809,089
Expense:			
Salaries	3,480,000	3,159,283	3,318,267
Administration	575,000	534,654	532,698
Employee benefits (Note 11)	475,000	413,163	420,331
Rent of space and equipment	277,000	275,003	268,935
Agent and advisory services	199,000	389,841	109,755
Training and development	149,000	126,425	141,392
Total operating expense	5,155,000	4,898,369	4,791,378
Transfer to General Revenue Fund (Note 12)	25,600	562,414	24,955
Total expense	5,180,600	5,460,783	4,816,333
Annual surplus (deficit)	$ 47,000	(268,374)	(7,244)
Net assets, beginning of year		410,729	417,973
Net assets, end of year		$ 142,355	$ 410,729

(See accompanying notes)

Statement 3

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2002	2001
Operating transactions:		
Cash received from:		
General Revenue Fund - Appropriation	$ 5,136,000	$ 4,698,000
Fees and other	151,864	142,252
	5,287,864	4,840,252
Cash paid for:		
Salaries	3,148,736	3,416,783
Suppliers and other	1,785,196	1,400,934
	4,933,932	4,817,717
Cash provided by operating transactions	353,932	22,535
Capital transactions:		
Cash used to acquire tangible capital assets	128,529	95,401
Cash applied to capital transactions	128,529	95,401
Increase/(decrease) in cash and cash equivalents	225,403	(72,866)
Cash and cash equivalents, beginning of year	470,690	543,556
Cash and cash equivalents, end of year (Note 3)	$ 696,093	$ 470,690

(See accompanying notes)

OFFICE OF THE PROVINCIAL AUDITOR
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2002

1. General Information

The Provincial Auditor Act establishes the Office of the Provincial Auditor. The Office is part of the Legislative Branch of Government. The Office:

- examines the administration of government programs and activities carried out by government departments, health and education institutions, commissions, boards, and Crown corporations;
- reports the results of examinations to the Legislative Assembly and the public; and
- helps the Standing Committees on Public Accounts and Crown Corporations in their review of the Provincial Auditor's reports, the Public Accounts, and other reports.

2. Summary of Accounting Policies

The Office uses Canadian generally accepted accounting principles to prepare its financial statements. The following accounting principles are considered to be significant:

(a) Basis of Accounting

The financial statements are prepared using the expense basis of accounting.

(b) Revenue

The appropriation from the General Revenue Fund is recorded when receivable.

Fee revenue is recognized on the basis of the percentage of work completed for those government organizations that have signed contracts to pay fees or have otherwise agreed to pay fees.

(c) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture (desks, file cabinets)	10 years
Other furniture	5 years
Other equipment	3 years

(d) Accrued Vacation Pay

The value of vacation entitlements earned to the year-end but not taken are recorded as a liability.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of interest-bearing money on deposit with the bank and short-term securities. Investments are carried at amortized cost which approximates market value. The interest rates range from 1.25 to 5.75%.

Cash and cash equivalents included in the cash flow statement are represented by:

	2002	2001
Cash	$ 277,122	$ 70,900
Short-term securities	418,971	399,790
Total cash and cash equivalents	$ 696,093	$ 470,690

4. Accounts Receivable

Accounts receivable include fees of $4,465 (2001 - $26,206) that are due from government agencies and non-interest bearing.

5. Unamortized Lease Inducement and Commitments

During the year ended March 31, 1996, the Office and its landlord made new leases agreeing to changed conditions and reduced costs for the Office's space. The Office agreed to rent the premises until March 31, 2002.

The landlord agreed to provide the Office inducements totalling $217,870. This amount was amortized over the life of the lease.

During the year ended March 31, 2002, the Office and its landlord made a new lease whereby the Office agreed to rent the premises for a ten year period commencing April 1, 2002. Annual lease payments total $329,678, before escalation adjustments.

The Office is also committed to make future annual payments for operating leases and professional service contracts of:

Year ending March 31	Amount
2003	$105,636
2004	$ 64,185
2005	$ 13,737
2006	$ 4,115

6. Net Financial Assets

In the past, the Office maintained net financial assets equal to approximately one month's salary and benefit expenses. This practice allowed the Office to manage effectively unforeseen circumstances.

The Provincial Auditor Amendment Act, 2001, assented to on June 28, 2001, requires any net financial assets to be deposited to the General Revenue Fund. The amended Act provides for a contingency appropriation to replace the Office's net financial assets.

7. Non-financial Assets

The recognition and measurement of tangible capital assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Office. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Office's objectives.

8. Tangible Capital Assets

	2002			2001
	Hardware & Software	Furniture & Equipment	Total	Total
Opening costs of tangible capital assets	$ 543,223	$ 266,512	$ 809,735	$ 1,134,515
Additions during the year	61,551	66,978	128,529	95,401
Disposals during the year	140,137	27,639	167,776	420,179
Closing cost of tangible capital assets	464,637	305,851	770,488	809,737
Opening accumulated amortization	458,232	236,247	694,479	1,009,470
Annual amortization	85,234	16,196	101,430	105,188
Disposals	140,137	27,639	167,776	420,179
Closing accumulated amortization	403,329	224,804	628,133	694,479
Net book value of tangible capital assets	$ 61,308	$ 81,047	$ 142,355	$ 115,258

Annual amortization is included in Administration expense in the Statement of Operations.

9. Budget

These amounts represent the General Revenue Fund appropriation requested from the Board of Internal Economy to discharge the Provincial Auditor's duties under *The Provincial Auditor Act*. The Board recommended an appropriation of $5,136,000.

The Budget is requested using an expenditure basis of accounting where non-financial assets acquired in the period are recorded as expenditures. The 2002 Budget and Actual using the expenditure basis of accounting are as follows:

	2002	
	Budget	Actual
Revenue		
General Revenue Fund	$ 5,100,000	$ 5,136,000
Other	127,600	56,409
Total revenue	5,227,600	5,192,409
Expenditure		
Salaries	3,480,000	3,159,283
Administration	556,000	561,751
Employee benefits	475,000	413,163
Rent of space and equipment	277,000	275,002
Agent and advisory services	199,000	389,842
Training and development	149,000	126,425
Total operating expenditure	5,136,000	4,925,466
Transfer to General Revenue Fund	25,600	562,414
Total expenditure	5,161,600	5,487,880
Excess of revenue over expenditure (expenditure over revenue)	$ 66,000	(295,471)
Net financial assets, beginning of year		295,471
Net financial assets, end of year		$ —

10. Other Revenue

Included in other revenue are fees of $22,800 (2001 - $24,955) charged for work that is included in the budget recommended to the Board of Internal Economy. The Office transfers these fees to the General Revenue Fund.

The Provincial Auditor Amendment Act, 2001 requires that all fees charged and all other revenues received by the Office be deposited to the General Revenue Fund. For 2002, the transfer to the General Revenue Fund of $562,414 includes fees and other revenues of $53,308. See Note 12.

11. Pension Plan

The Office participates in a defined contribution pension plan for the benefit of its employees. The Office's financial obligation to the plan is limited to making regular payments of 5.75% of employees' salaries for current service. The Office's annual pension expense for 2002 amounted to $166,677 (2001 - $165,553).

12. Transfer to General Revenue Fund

The Provincial Auditor Amendment Act, 2001 requires that all fees charged and all other revenues received by the Office be deposited to the General Revenue Fund. In addition, the Act requires that any unspent appropriations be returned to the General Revenue Fund. The $562,414 transfer includes fees, other revenues, and the Office's net financial assets.

13. Financial Instruments

The Office's financial instruments include cash and investments, accounts receivable, accounts payable, accrued vacation payable, and salary payable. The carrying amount of these instruments approximates fair value due to their immediate or short-term maturity. These instruments have no significant interest rate and credit risk.

14. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Schedule of Audits Not Done for Organizations Subject to an Audit Examination Under *The Provincial Auditor Act* at December 31, 2001

There are approximately 270 government agencies that we are required to audit.

We audit and report whether the financial reports provided by the Government are reliable, whether the Government complied with the main legislative authorities governing its activities, and how well the Government safeguards public assets, prepares financial reports, and effectively manages public resources.

Following is a list of Government agencies where our audit was not done as at March 31, 2002. For 16 of these agencies, we could not complete our work because of delays in receiving information. In the other two cases, we have not been given access to the necessary information.

Delayed Audits:	**Year End**
101012875 Saskatchewan Ltd.	December 31
101012876 Saskatchewan Ltd.	December 31
Metis Development Fund	December 31
Milk Control Board	December 31
Municipal Employees' Pension Commission	December 31
Public Trustee for Saskatchewan	March 31
SaskPower Supplementary Superannuation Plan	December 31
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31
University of Regina Academic and Administrative Employees Pension Plan	December 31
University of Regina Master Trust	December 31
University of Regina Non-Academic Pension Plan	December 31
University of Regina Pension Plan for Eligible Part-Time Employees	December 31
University of Saskatchewan 1999 Academic Pension Plan	December 31
University of Saskatchewan Academic Employees' Pension Plan	December 31
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31
University of Saskatchewan Clinicians Service-Side Pension Plan	December 31
Denied Access to Information:	
SaskPen Properties Ltd.	December 31
SP Two Properties Ltd.	March 31

Additional Supplementary Information

List of employees earning $2,500 or more and their earnings for the year ended March 31, 2002.

Ahmad, Mobashar	$98,609	Kress, Jeffrey J.	65,715
Anderson, Mark T.	76,775	Kuntz, Linda A.	6,705
Atkinson, Brian R.	109,656	Lacey, Shana A. M.	34,555
Bachelu, Gaylene K.	2,607	Lahti, Johan J.	33,377
Baronowsky, Tricia A.	14,997	Lahti, Kami J.	4,250
Beblow, Jolene T.	67,802	Lees, Trina C.	29,995
Borys, Angèle M.	85,460	Lindenbach, Michelle D.	6,750
Brezinski, Curtis T.	27,391	Lowe, Kimberley I.	36,634
Burrows, Jamie A.	57,164	Markewich, Dale P.	3,419
Calder, Chantara L.	15,695	Martens, G. Andrew	87,051
Clemett, Tara L.	59,250	Matchett, Joanne M.	4,650
Creaser, Philip M.	87,051	Montgomery, Edward	94,916
Daviduik, Krista D.	20,871	Nyhus, Glen D.	87,051
DeCorby, Michelle M.	28,301	Oldershaw, Mark J.	34,767
Deis, Kelly W.	77,634	Orrange, Loyd	69,794
Dickin, Deann J.	46,509	Ottenbreit, Stacey A.	13,475
Dukart, Amanda I.	6,580	Paul, Charlene A.	45,717
Duran, Jason S.	50,279	Paul, Kent W.	32,335
Duran, Joel K.	42,149	Rybchuk, Corrine P.	77,634
Federspiel, Angela K.	12,939	Schiller, Rita L.	25,545
Ferguson, Judy D.	94,916	Schwab, Victor A.	77,425
Fysh, Cindy M.	34,605	Shorten, Karen E.	32,185
Grabarczyk, Roderick A.	87,051	Sommerfeld, E. Regan	35,994
Harasymchuk, William W.	76,006	Strecker, Rena A.	32,980
Heffernan, Michael A.	98,609	Szaroz, Jennifer J.	30,862
Huard, Brenda M.	24,528	Tomlin, Heather D.	47,821
Hungle, Angie D.	30,412	Volk, Rosemarie M.	85,460
Jersak, Rodd S.	85,460	Walker, Sandra J.	62,149
Kenny, Wade A.	22,274	Wandy, Jason M.	4,800
Kirchner, Carolyn	63,950	Watkins, Dawn L.	32,185
Knox, L. Jane	87,051	Wendel, G. Fred	126,464
Kodas, John	8,468	Wendel, Leslie E.	83,154
		Payees under $2,500	1,879
		Increase in accrued vacation leave payable, net of recoveries	10,541
			$3,159,283

Additional Supplementary Information

SUPPLIERS

List of persons or organizations that provided goods and services to the Office of the Provincial Auditor for $20,000 or more for the year ended March 31, 2002.

Canadian Comprehensive Auditing Foundation	$ 20,045
Dell Financial Services Canada	51,643
Institute of Chartered Accountants of Saskatchewan	47,813
KPMG (Regina)	61,493
KPMG (Saskatoon)	20,140
Manpower	24,137
Merchant Law Group	51,710
Meyers Norris Penny (Regina)	42,941
Meyers Norris Penny (Saskatoon)	49,307
PricewaterhouseCoopers (Regina)	59,527
Printwest Communications	45,357
S & U Homes	246,592
Saskatchewan Property Management Corporation	20,705
Saskatchewan Telecommunications	30,090
Supreme Basics	71,634
Virtus Group, Chartered Accountants and Business Advisors LLP	50,937
	894,071
Suppliers under $20,000	272,413
	$ 1,166,484

OTHER EXPENDITURES

List of statutory expenditures of the Office of the Provincial Auditor for $20,000 or more for the year ended March 31, 2002.

Public Employees Dental Plan	$ 40,333
Public Employees Disability Plan	31,627
Public Employees Pension Plan	166,677
Receiver General for Canada - Canada Pension Plan	78,599
Receiver General for Canada - Employment Insurance	55,106
Saskatchewan Blue Cross	25,800
	398,142
Other expenditures under $20,000	15,021
	$ 413,163